

Message Text

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ACTION SS-15

INFO OCT-01 ISO-00 AF-10 L-03 FRB-03 OMB-01 ITC-01
SP-02 USIA-06 AGRE-00 AID-05 CIAE-00 COME-00
EB-08 INR-10 IO-13 LAB-04 NSAE-00 OIC-02 SIL-01
STR-07 TRSE-00 CEA-01 NSC-05 EUR-12 INT-05 /115 W
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P R 311135Z MAR 78
FM AMEMBASSY LUSAKA
TO SECSTATE WASHDC PRIORITY 8039
INFO AMEMBASSY BRUSSELS
AMEMBASSY DAR ES SALAAM
AMEMBASSY KHARTOUM
AMEMBASSY KINSHASA
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY NAIROBI
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FOR UNDERSECRETARY COOPER AND ASST. SECRETARIES MAYNES (IO)
AND KATZ (EB) FROM DAS FRANK

BRUSSELS FOR USEC

PARIS FOR USOECD

E.O. 11652: N/A
TAGS: ETRD EPAP UNCTAD GATT MTN CM US
SUBJ: DAS FRANK TALKS IN ZAMBIA ON COMMON FUND AND OTHER
NORTH-SOUTH ISSUES

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REF: KINSHASA 2920

1. SUMMARY: DAS FRANK HELD DETAILED TALKS WITH ZAMBIAN
OFFICIALS ON MARCH 29 ON COMMON FUND AND OTHER MULTILATERAL
ECONOMIC ISSUES INCLUDING PRODUCER/CONSUMER DISCUSSIONS ON
COPPER AND UN COMMITTEE OF THE WHOLE ON NORTH-SOUTH DIALOGUE.
ZAMBIANS IMPLIED THAT THEY WOULD JUDGE ANY PROPOSAL FOR A COMMON

FUND ON BASIS OF WHETHER IT WOULD PROMOTE A COPPER AGREEMENT OR NOT. THEY SAID THAT THEY WERE NOT SURE WHETHER U.S. PROPOSAL WOULD HELP OR HINDER A COPPER AGREEMENT. ESTABLISHMENT OF PRODUCER/CONSUMER FORUM FOR COPPER WILL PROVIDE A PLACE TO TALK BUT DELAY PROGRESS TOWARD A COPPER AGREEMENT. THEY APPEALED FOR U.S. SUPPORT FOR RAPID PROGRESS TOWARD A COPPER STABILIZATION AGREEMENT. THEY SAID THAT SECOND WINDOW WAS EXTREMELY IMPORTANT TO G-77 AS A GROUP AND THERE WAS GENERAL FEELING AMONG G-77 THAT WORLD BANK AND REGIONAL DEVELOPMENT BANK EFFORTS ON OTHER MEASURES WERE NOT SUFFICIENTLY RESPONSIVE TO G-77 NEEDS AND CONCERNS. THE ZAMBIANS PUT FORWARD SUGGESTION THAT WE OUGHT TO TABLE A PAPER AT NEXT NEGOTIATING CONFERENCE GIVING OUR ESTIMATES OF FUTURE RESOURCES THAT WORLD BANK AND REGIONAL DEVELOPMENT BANKS SHOULD DEVOTE TO OTHER MEASURES. IF WE WERE PREPARED TO URGE THE WORLD BANK AND REGIONAL DEVELOPMENT BANKS TO DO MORE IN THIS FIELD AND WERE WILLING TO PROVIDE THE OVERALL RESOURCES TO THESE INSTITUTIONS, THEN PERHAPS G-77 CONCERNS COULD BE BETTER MET. END SUMMARY

2. DEPUTY ASSISTANT SECRETARY CHARLES FRANK AND ECONOMIC OFFICER HAD DISCUSSIONS ON MORNING OF MARCH 29 WITH MR. J.W. BANDA, UNDER SECRETARY OF MINISTRY OF COMMERCE AND FOREIGN TRADE AND A.J. LINYAMA, TRADE COMMISSIONER, ON COMMON FUND AND PROBLEMS OF COPPER. COMMON FUND SECOND WINDOW DISCUSSED WITH MR. SAMUEL MUTUNA, PERMANENT SECRETARY OF MINISTRY OF ECONOMIC AND TECHNICAL COOPERATION. AT DINNER WITH JONATHAN LICHILANA, LIMITED OFFICIAL USE

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SENIOR ECONOMIST OF MINISTRY OF FOREIGN AFFAIRS, AND G. MBULA, DIRECTOR OF RESEARCH, BANK OF ZAMBIA, HOSTED BY ECONOMIC OFFICER AND ATTENDED BY AMBASSADOR, COMMON FUND AND COPPER WERE CONVERGED IN ADDITION TO UN OVERVIEW COMMITTEE.

3. IN DISCUSSIONS AT MINISTRY OF COMMERCE AND FOREIGN TRADE, FRANK MADE PRESENTATION ALONG LINES OF REFTTEL REGARDING COMMON FUND. MR. LINYAMA, WHO WAS VERY KNOWLEDGEABLE ABOUT COMMON FUND ISSUES AND WAS ON ZAMBIAN DELEGATION TO CIEC AND TWO PREVIOUS SESSIONS OF COMMON FUND NEGOTIATING CONFERENCE, DID MOST OF THE TALKING FOR ZAMBIAN SIE. HE STRESSED THAT THE G-77 PROPOSAL, IN WHICH CENTRAL SOURCE MONEY PUT UP IN ADVANCE, WOULD PROVIDE MORE OF AN INCENTIVE TO GET INDIVIDUAL AGREEMENT GOING. GROUP B PROPOSAL WOULD NOT PROVIDE SUCH IMPETUS. FRANK RESPONDED THAT POOLING PROPOSAL OF GROUP B WOULD FACILITATE FINANCING OF INDIVIDUAL COMMODITY ARRANGEMENTS, AND TO THAT EXTENT MAKE INDIVIDUAL AGREEMENTS SOMEWHAT MORE ATTRACTIVE TO PRODUCERS AND CONSUMERS. IN ANY EVENT, G-77 HOPES WERE UNREALISTIC. THERE IS NO WAY THAT U.S. WOULD APPROPRIATE LARGE AMOUNTS OF MONEY TO FINANCE AGREEMENTS THAT WERE NOT IN EXISTENCE. U.S. WOULD HAVE TO DETERMINE THE NATURE OF A STABILIZATION AGREEMENT ON COPPER AND ITS FINANCIAL REQUIREMENTS BEFORE

MAKING A FINANCIAL COMMITMENT. IF U.S. ENTERED A COPPER AGREEMENT, IT WOULD WANT TO MAKE SURE THAT IT WAS FINANCIALLY VIABLE.

4. ON COPPER, ZAMBIANS EXPRESSED KEEN DISAPPOINTMENT WITH LACK OF PROGRESS TOWARD A STABILIZATION AGREEMENT. ESTABLISHMENT OF PRODUCER/CONSUMER FORUM (PCF) WOULD PROVIDE A USEFUL FOCAL POINT FOR FUTURE DISCUSSIONS, BUT DISCUSSIONS OF ARRANGEMENTS FOR FORUM WOULD DIVERT ENERGIES FROM THE CENTRAL TASK OF REACHING AGREEMENT ON A COPPER STABILIZATION ARRANGEMENT. ALREADY FIRST MEETING ON PCF SCHEDULED FOR END OF MARCH HAD BEEN POSTPONED AND ANOTHER DATE NOT YET SET. IN UNCTAD DISCUSSION, THEY NOTED THAT U.S. REMAINED SILENT ON ISSUE OF WHETHER A STABILIZATION AGREEMENT WAS NECESSARY. FRG AND JAPAN STRONGLY OPPOSED. LIMITED OFFICIAL USE

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ZAMBIANS MADE STRONG APPEAL TO US TO SPEAK OUT IN FAVOR OF AN AGREEMENT.

5. FRANK RESPONDED THAT FIRST MAJOR TASK OF PCF WAS TO EXPLORE POSSIBILITIES FOR A STABILIZATION ARRANGEMENT. THERE WERE MANY

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TECHNICAL PROBLEMS THAT HAD TO BE IRONED OUT AND FINANCING PROMISED TO BE A DIFFICULT ISSUE. NONETHELESS, HE HOPED WE COULD PROCEED WITH THE TECHNICAL WORK WITH DELIBERATE SPEED. COPPER SEEMED TO BE A COMMODITY FOR WHICH A STABILIZATION ARRANGEMENT MIGHT BE USEFUL. FRANK PROMISED TO BRING ZAMBIAN REQUEST THAT US SPEAK OUT POSITIVELY ON A COPPER AGREEMENT TO ATTENTION OF WASHINGTON OFFICIALS.

6. ON OTHER MEASURES, ZAMBIAN STRESSED THAT COMMON FUND SHOULD BRING BENEFITS FOR ALL 18 COMMODITIES OF UNCTAD INTEGRATED

COMMODITY PROGRAM. THEY STRESSED ALSO THAT THE WORLD BANK WAS LIMITED OFFICIAL USE

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NOT CAPABLE OF DOING ALL THE THINGS THAT THE G-77 SAW THAT THE COMMON FUND WOULD DO ON OTHER MEASURES. WORLD BANK REPRESENTATIVE AT FIRST NEGOTIATING SESSION HAD SAID THIS IN PUBLIC STATEMENT. BANK NOT RESPONSIVE TO NEEDS OF COMMODITY PRODUCERS AND THEIR PROBLEMS.

7. FRANK SAID HE WOULD BE INTERESTED TO LEARN WHAT THINGS COMMON FUND WOULD DO THAT WORLD BANK COULD NOT DO. COMMON FUND COULD NOT DO ALL THINGS FOR ALL COMMODITIES FOR ALL COUNTRIES. ITS EFFORTS WOULD BE SPREAD TOO THIN AND IT WOULD NOT BE AN EFFECTIVE INSTITUTION. IF THERE WERE COMMODITY RELATED PROBLEMS WHERE WORLD BANK NOT RESPONSIVE, THEN GOVERNMENTS COULD URGE MORE BANK EFFORTS IN FIELD OF OTHER MEASURES. FRANK RECOGNIZED THAT AREA DEPARTMENTS OF WORLD BANK TEND TO BE POWERFUL ELITES IN BANK BUREAUCRACY -- THEY TAKE A COUNTRY VIEW AND OFTEN DO NOT SEE COMMODITIES IN GLOBAL PERSPECTIVE. BUT BANK CAN AND HAS INCREASED ITS CAPABILITIES IN A SECTORAL APPROACH TO LENDING POLICY. PRIME EXAMPLE IS ENERGY WHERE BANK STAFF HAS TRIPLED IN LAST SEVERAL MONTHS AND LARGE FIVE-YEAR LENDING PROGRAM HAS BEEN APPROVED. IN CERTAIN FIELDS LIKE RESEARCH ON PRODUCTIVITY AND MARKETING, THE BANK MAY NOT BE A SUITABLE INSTITUTION, BUT SUCH MEASURES MIGHT BE FINANCED THROUGH A PRODUCER - CONSUMER GROUP.

8. KINYAMA SAID THAT IT WOULD BE HELPFUL IF U.S. WOULD TABLE A PAPER AT NEXT SESSION OF NEGOTIATING CONFERENCE THAT SPECIFIED WHAT THE WORLD BANK AND REGIONAL BANKS COULD DO TO IMPROVE THEIR EFFORTS IN THE FIELD OF OTHER MEASURES AND THE FUTURE RESOURCES

THAT THE WORLD BANK MIGHT DEVOTE TO OTHER MEASURES. FRANK SAID HE WOULD MAKE THIS SUGGESTION TO WASHINGTON.

9. AT CLOSE OF MEETING AT MINISTRY OF COMMERCE AND FOREIGN TRADE, ZAMBIAN OFFICIALS ASKED FOR A PAPER OUTLINING OUR VIEWS LIMITED OFFICIAL USE

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ON THE RESUMPTION OF NEGOTIATIONS ON THE COMMON FUND. BEFORE GIVING ANY OFFICIAL RESPONSE, THEY WOULD HAVE TO CONSULT WITH OTHER MINISTRIES AND OFFICES IN THE ZAMBIAN GOVERNMENT AND A PIECE OF PAPER WOULD GREATLY FACILITATE THIS EFFORT.

10. AT MINISTRY OF ECONOMIC AND TECHNICAL COOPERATION, DISCUSSION FOCUSED ON THE SECOND WINDOW. MUTUNA LAID SPECIAL EMPHASIS ON WHAT HE FELT WAS THE UNRESPONSIVENESS OF THE WORLD BANK TO MEET ZAMBIAN NEEDS. OFFICIALS CAME TO ZAMBIA WITH ARROGANT ATTITUDE ABOUT WHAT ZAMBIA NEEDED AND THERE WAS LITTLE DIALOGUE, EFFORT TO REACH A CONSENSUS, OR ATTEMPT TO ADOPT WORLD BANK VIEWS TO LOCAL CONDITIONS. FRANK RESPONDED THAT SOMETIMES PROBLEMS OCCURRED BECAUSE OF PARTICULAR PERSONALITIES INVOLVED. MANY BANK MISSIONS LED BY PEOPLE WHO ARE SENSITIVE TO PROBLEMS OF HOST COUNTRY AND WILLING TO LISTEN AND MODIFY VIEWS. FRANK ASKED ABOUT RELATIONS WITH UNDP. MUTUNA SAID THEY WERE EXCELLENT AND THAT HE WOULD GIVE US HIS MORE CONSIDERED VIEWS IN WRITING ON THE EFFECTIVENESS OF UNDP.

11. AT DINNER MEETING, MANY OF SAME TOPICS WERE COVERED. ON RESUMPTION OF COMMON FUND NEGOTIATING CONFERENCE, LICHILANA REPORTED THAT LATEST G-77 THINKING IN GENEVA WAS FOR RESUMPTION SOMETIME SEPTEMBER TO NOVEMBER PERIOD. LICHILANA SUGGESTED THAT ZAMBIA WAS UNLIKELY TO SEND A REPRESENTATIVE FROM LUSAKA TO MAY MEETING OF UN OVERVIEW, BUT THIS SHOULD NOT BE INTERPRETED AS LACK OF INTEREST. ZAMBIAN PERREP TO UN, AMBASSADOR KONIE, WAS JUST IN TOWN AND THEY HAD DISCUSSED NEXT OVERVIEW MEETING. THEY WOULD PREPARE CAREFUL BRIEF IN LUSAKA WITH PARTICIPATION OF ALL RELEVANT MINISTRIES.

12. FRANK EMPHASIZED VALUE OF DIRECT CONTACTS BETWEEN POLICY MAKERS FROM CAPITALS AND HOPED ZAMBIA WOULD GIVE SERIOUS CONSIDERATION TO REPRESENTATION FROM CAPITAL. MAY OVERVIEW MEETING WOULD PROVIDE FURTHER OPPORTUNITY TO DISCUSS COMMON FUND AND COPPER.

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13. MUCH OF EVENING DISCUSSION CENTERED ON GROUP 77 AND GROUP

B DYNAMICS. ZAMBIANS EMPHASIZED LACK OF FLEXIBILITY THEY HAD
BECAUSE OF NEED FOR G-77 UNITY. THEY SEEMED TO SYMPATHIZE WITH
US VIEWS ON COMMON FUND, BUT SAID THAT BI-LATERAL EXCHANGES
ONLY USEFUL IF G-77 VIEWS AS GROUP COULD BE CHANGED. LOW

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